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INFO RUCNRAQ/IRAQ COLLECTIVE

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C O N F I D E N T I A L BAGHDAD 003842

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STATE FOR NEA/I AND EEB/ESC

E.O. 12958: DECL: 11/26/2017

TAGS: EPET ECON PREL PGOV I2

SUBJECT: IRAQ-JORDAN OIL HITS TECHNICAL PROBLEMS

REF: AMMAN 3626

Classified By: ECON Counselor Todd Schwartz, reasons 1.4 b,d

¶1. (C) We received a translation of an undated letter signed by Ghassan Farkuh, Director General of the Iraqi Jordanian Land Transport Company, addressed to the Ministry of Oil, concerning the reasons for the delay in tankers transporting crude oil from Kirkuk to Jordan.

¶2. (C) The first reason cited is security. The letter recounts how on the first day of operations, one driver was detained on the road from Kirkuk to Tikrit by American forces, but released the same day, while another was kidnapped by an armed group and released after a while. Conflict in the al-Tharthar area led to the closing of a road and the tankers remained in a staging area in Samara at the al-Malwiyyah restaurant. The State Oil Marketing Organization (SOMO) suggested using the Diyala road, but did not give any security guarantees.

¶3. (C) The second reason cited is administrative. Although SOMO required transport within a week, its handling of paperwork needed for transport often took over two weeks, and it also suffered mail delays. Border officials at Traybil do not allow trucks to cross without the proper paperwork.

¶4. (C) The third reason cited is technical. The letter recounts that the technical problems never end, and cites several examples. The loading operations in Kirkuk use meters in terms of density without knowing the standard specifications, by calculation they extract the weight in tons, but this is not exact. The transfer at the border from Iraqi tankers to Jordanian tankers is by flow, which leaves some of the oil behind. There are several weighing stations at the border with large variations between them concerning the product description, density and weight numbers. No Ministry of Oil representative or Jordanian Petroleum Refinery officials are present to conduct technical tests at the exchange field.

¶5. (C) Other reasons cited include the fact that when the company began transporting crude oil there was no black oil (naptha) transported but then large quantities were transported at prices that exceeded by 40 percent the company prices, confusing the drivers and causing some of them to ask for damages. When the tankers load fuel oil, it is at the official price, but the Iraqi tankers load at the price for Jordanian crude. There is a dealing differential between the crude oil transporters and tankers that supply the black oil (naptha) from Kirkuk to Traybil.

¶6. (C) The letter clarifies that 82 tankers arrived in Jordan, while another 84 are at Traybil awaiting border

official permission to cross. Despite rumors to the contrary, no thefts of any loaded tankers occurred. The letter concludes with a request for all the parties to meet to discuss how to continue with what it describes as the experiment to truck crude to Jordan.

¶7. (C) COMMENT: To our knowledge, crude oil shipments ceased in October and have not yet resumed.  
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